



SBA 101: All You Ever Wanted to Know About Being an SBA-Certified Lender

Thursday, September 14, 2006

2:00 pm Eastern Time / 11:00 am Pacific Time



| Question | Response |
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| Are there specific loan-to-value or debt-to-equity ratios that the SBA sets as limits for a government guarantee? | No. SBA guidance on loan underwriting is general in nature and is premised by a sufficient level of cash flow in the business to reasonably repay the SBA loan. We believe this provides the flexibility needed to consider any number of industries in which small business operates. |
| Does a credit union become a participant on a unit-by-unit basis when it submits an application? | No. When a credit union is approved for SBA lender participation, the credit union and SBA will execute a Loan Guarantee Agreement, SBA Form 750 or 750B. This global agreement will cover all loans a lender participant may submit to SBA for guarantee. |
| Would SBA lending cut into my existing line of commercial lending opportunities? | The guaranteed portion of an SBA loan does not count towards the aggregate limit. |
| Where does a credit union receive training on SBA lending functions? | SBA provides lender training to credit unions through its local SBA District Office channel. We have 68 SBA District and Branch offices located nationwide with one in each state. |
| The MBL rule states that a credit union may use any less restrictive loan requirements offered by an SBA guaranteed loan program that are consistent with the MBL rule and that the collateral and security requirements of sections 723.3 and 7 do not apply to MBLs made as part of an SBA guaranteed loan program. Do these statements apply to the 504 program even though it is not technically a "guaranteed" loan program? | Yes |
| Would we contact the SBA District Office or the NCUA District Office? | For information on becoming an SBA lender, you are encouraged to contact the local SBA District office. |
| What are some of the common reasons you see for people NOT being eligible for an SBA loan? | Size of the business exceeds the SBA size standards for a specific industry, use of proceeds is prohibited by SBA statutes or regulation, inability to affirm reasonable repayment ability of SBA loan. |
| If a credit union doesn't follow the monthly reporting requirements in the 7(a) program, will they lose the guarantee? | No, however their continued participation in the program and ability to submit additional loans for guarantee could be restricted or suspended. SBA uses the data from the monthly reporting to track lender loan portfolio performance. |

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| Do you have to have an existing commercial lending program in place to establish a relationship with SBA? What if we are in the very beginning stages of starting a member business lending program? Could we still join up with SBA? | Yes |
| We contacted the Michigan office twice to get information to start participating, but nobody followed up with us. Do you have a contact in Michigan for us to speak with? | Our local contact point for our Michigan District office in Detroit is Ms. Leslie Gierke and District Director Richard Temkin. Ms. Gierke can be reached at leslie.gierke@sba.gov and Mr. Temkin at richard.temkin@sba.gov |
| Are there training programs available regarding the Standard Operating Procedures? | Yes. SBA District offices have regularly scheduled training on SBA loan policies and procedures and utilize guidance from the Standard Operating Procedures in the training. The National Association of Government Guaranteed Lenders (NAGGL) also provides SBA loan training modules at seminars they hold throughout the country. |
| Will the SBA payment be based on the SBAs agreement with our underwriting regardless of the quality of our underwriting? | SBA's purchase of its guaranteed portion is strictly a function of the stated percentage of the unpaid principal balance outstanding at the time of default. The percentage is whatever was initially requested by the lender participant at the time the loan was approved by SBA for guarantee. SBA's review of the underwriting, closing and servicing of a defaulted loan occurs when the request for purchase is made. The only exceptions SBA will make on the guarantee purchase amount occurs when SBA determines that the lender did not follow SBA rules and regulations that will result in the Agency incurring a loss that could have been prevented. |
| What are the regulatory requirements for loan participation between participating credit unions? | In 13 C.F.R. Part 120, Section 430-435, SBA details the rules on loan participation sales. You will note that the rules restrict sales and participations on any portion of an SBA loan made outside of the Secondary Market mechanism only to other SBA lender participants. |
| Personal Guaranty requirements: Both SBA and NCUA, for any type of business loan | NCUA's Rules and Regulations, Section 723.7(b) requires personal quarantines be obtained, except as where the credit union is exempted from the requirement by RegFlex. SBA Rules and Regulations, Section 120.160 (a) generally requires holders of at least a 20% interest in the small concern to guarantee the loan |
| Is business lending allowed for a federally chartered CU or is it only open to community chartered CUs? | It is not limited only to community charters. |
| What is the best way to contact our nearest SBA District Office? Web, Phone, etc? | Because some states have multiple SBA locations, our national website http://www.sba.gov provides a map that directs the user into each office by selecting a state. This is the easiest way to make contact. From there, you can access the local email addresses or route a message to a general mailbox. Alternatively, you can select the contact us feature on most websites, and obtain names and telephone numbers for the local District office staff. |
| We have our main office in one state with a branch in another state. If we approve a loan which will have an SBA guaranty, do we submit the loan to the SBA office in our home office state or should it be submitted to the SBA office in our branch office state? | Good question. In this instance, it is important for SBA District offices in both states to know of the credit union's participation in SBA. The loan processing (if not done as a PLP or SBAExpress loan) will be performed by the SBA office assigned to the county where the small concern is located. Our SBA District offices in your area can give you direction on county designation for processing. Be advised that this will begin changing as we introduce a centralized processing element for all loans with first phase-in set for January 2007. |
| Does the State of Michigan's charter differ in rules for MBLs? | We do not believe that Michigan has its own MBL rule, so NCUA's rule would apply. |

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| How often are the SOPs updated? Reviewing them a few months ago I noticed they were not updated in certain areas. | SOPs are to be updated as significant policy changes occur. That said, SBA is playing catch-up in getting a number of policy changes updated to the prevailing operating procedures found on the SBA website. If you have a particular question, we encourage you to contact your local SBA District office or our SBA centralized Loan Servicing and National Guaranty Purchase Centers for assistance. |
| What kind of communication does the SBA have in place, to communicate to lenders that regulations have changed, or forms have been updated? | SBA issues Policy, Procedure and Information Notices on its websites to communicate changes in SBA rules and regulation. Although the Notices are addressed to All Employees, the Notices are public documents and are placed on the website at the same time the Notices are released to Agency employees. The National Association of Government Guaranteed Lenders (NAGGL) and the National Association of Development Companies (NADCO) also stay readily abreast of these changes. |
| What is the asset size range of Credit Union's participating in the SBA program? | Credit unions reporting SBA loans outstanding as of June 30, 2006 ranged in size from \$11 million to \$25 billion. Roughly a third of federally insured credit unions offering SBA loans reported under \$150 million in assets as of June. |